

Members

Rep. Ben GiaQuinta, Chairperson
Rep. Claire Leuck
Rep. Robert Alderman
Rep. James Atterholt
Sen. Thomas Wyss
Sen. Allen Paul
Sen. William Alexa
Sen. Allie Craycraft
Terry Smith
John Dahman
Jim Brown
David Miller



COMMISSION ON MILITARY AND VETERANS AFFAIRS

Legislative Services Agency
200 West Washington Street, Suite 301
Indianapolis, Indiana 46204-2789
Tel: (317) 232-9588 Fax: (317) 232-2554

LSA Staff:

Ed Gohmann, Attorney for the Commission
Bob Sigalow, Fiscal Analyst for the Commission

Authority: IC 2-5-20

MEETING MINUTES¹

Meeting Date: September 21, 2000
Meeting Time: 10:30 A.M.
Meeting Place: State House, 200 W. Washington
St., Room 431
Meeting City: Indianapolis, Indiana
Meeting Number: 2

Members Present: Rep. Ben GiaQuinta, Chairperson; Rep. Claire Leuck; Rep. James Atterholt; Sen. Thomas Wyss; Sen. Allen Paul; Sen. Allie Craycraft; Mr. Terry Smith; Mr. John Dahman; Mr. David Miller.

Members Absent: Rep. Robert Alderman; Sen. William Alexa; Mr. Jim Brown.

Representative Ben GiaQuinta, Chair of the Commission, called the meeting to order shortly after 10:30 a.m.

I. Income Tax Deduction for Military Income

Representative GiaQuinta began by describing PD 3255, concerning the income tax deduction for military income. He explained that this draft proposed increasing the adjusted gross income tax deduction for military service income from \$2,000 to \$5,000,

¹ Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.ai.org/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

and he noted that the fiscal impact of the proposed increase was estimated to be approximately \$3.1 million in FY2003.

Representative GiaQuinta recognized Mr. Stan Huseland, representing the Reserve Officers Association. Mr. Huseland noted that the Association is a participating member of the Military and Veterans Coalition of Indiana.

Mr. Huseland stated that when the state income tax deduction for military income was first enacted in 1965, the amount of the deduction was set at \$2,000, and it has not been changed since that time. He said that in 1965, the military income received by reserve enlisted men and junior officers was completely exempted by the \$2,000 deduction. He commented that to provide the same level of deduction today, the \$2,000 deduction would have to be increased to approximately \$10,000. Mr. Huseland explained that the Military and Veterans Coalition had previously suggested increasing the deduction to \$6,000, because that figure is halfway between the \$2,000 current amount and the \$10,000 amount.

Representative Claire Leuck urged the Commission to recommend that the military income deduction should be increased to \$6,000, which would have an estimated fiscal impact of \$4.1 million in FY2003. Representative GiaQuinta stated that he had no objection to recommending such an increase, but that the Commission needed to remember that a higher fiscal impact may make it slightly more difficult to pass such a proposal out of the General Assembly.

In response to a question from Representative Jim Atterholt, Mr. Huseland stated that Michigan, Kentucky, and Illinois exempt military retirement income, and that an increase in the Indiana deduction would help to keep Indiana veterans from moving out-of-state to avoid taxation of their pensions.

Representative GiaQuinta then recognized Mr. Joe Duray, director of the Indiana Military and Veterans Coalition. Mr. Duray began by describing the membership of the organizations that participate in the Coalition. He then stated that the Coalition supports increasing the deduction to \$6,000.

At the suggestion of Representative GiaQuinta, the Commission by voice vote approved amending the draft to provide for a \$6,000 deduction. The Commission then approved the draft, as amended, by an 8-0 vote. (See Exhibit A, PD 3255 and attached fiscal notes.)

II. Property Tax Deduction for Disabled Veterans

The Commission then discussed PD 3207, which would provide for an increase in the property tax deduction for veterans who are totally disabled or who are at least age 62 and partially disabled. Mr. Ed Gohmann, staff attorney for the Commission, stated that effective in March 2001 the definition of "assessed value" will change from being one-third of true tax value to 100% of true tax value. He explained that because assessed values are being tripled, property tax deductions will also triple at the same time so that there will be no change in the value of these deductions. Mr. Gohmann stated that because of these changes enacted in 1997, the current \$2,000 deduction for disabled veterans under IC 6-1.1-12-14 will in March 2001 increase from \$2,000 to \$6,000, although this scheduled change will not affect tax bills. Mr. Gohmann then explained that PD 3207 proposed: (1) increasing the \$6,000 deduction to \$9,000, which would be equivalent to a \$1,000 increase under the current definition of assessed value; and (2) increasing the property value limitation (which determines what property is eligible) from \$54,000 to \$60,000.

Mr. Bob Sigalow, fiscal analyst for the Commission, estimated that these proposed changes would increase the amount of deductions claimed by disabled veterans by \$42 million to \$83 million. He explained that deductions from assessed value reduce the property tax base, and cause a shift of the property tax burden from taxpayers receiving the deduction to all taxpayers in the form of a higher rate. Mr. Sigalow estimated that the increased deduction for disabled veterans would lead to a property tax shift of \$1.2 million to \$2.5 million. After Commission discussion, PD 3207 was moved and seconded. The Commission approved PD 3207 with an 8-0 vote. (See Exhibit B, PD 3207 and attached fiscal note.)

III. Military Service Credit for PERF and TRF Members

The Commission then reviewed two preliminary drafts concerning military service credit for members of the Public Employees' Retirement Fund (PERF) and the Indiana State Teachers' Retirement Fund (TRF). Mr. Gohmann explained that the drafts presented two different approaches to providing military service credit.

The first draft, PD 3208, would provide that members of PERF or TRF who serve on active duty in the armed services are entitled to up to two years of service credit for the time served on active duty, to the extent service credit is not granted for that time under existing PERF or TRF provisions. Mr. Gohmann explained that this draft would provide service credit for: (1) PERF members who entered military service before becoming employed in PERF-covered positions; and (2) TRF members who entered military service before becoming employed in TRF-covered positions or before beginning teacher training in college.

The second draft, PD 3288, would allow members of PERF and TRF to purchase service credit (at actuarial cost) for military service not eligible for credit under existing PERF or TRF provisions. Mr. Gohmann noted that he had done a survey of a number of surrounding states, and that all of these states (Illinois, Kentucky, Ohio, Michigan, Pennsylvania, Minnesota, and Missouri) allowed some type of purchase of military service credit for their retired public employees.

Senator Tom Wyss commented that he was uncomfortable endorsing any pension-related legislation that had not been reviewed by the Pension Management Oversight Commission. After further discussion by the members, the Commission voted by an 8-0 voice vote to request the Pension Management Oversight Commission to consider PD 3288. (See Exhibit C, PD 3208, PD 3288, and attached fiscal note.)

IV. Admission to the Indiana Veterans' Home

Representative GiaQuinta then described PD 3287, which would provide that a person must be a legal resident of Indiana for at least three years (rather than five years, under the current law) immediately preceding application in order to be eligible for admission to the Indiana Veterans' Home. Representative GiaQuinta explained that under existing law, a waiver process is available to grant admission to veterans with only one year of Indiana residency immediately prior to application. He stated that changing the residency requirement from five years to three years might help reduce the need for the waiver.

In response to a question from Senator Wyss, Mr. Pete Maniago, Indiana State Department of Health Assistant Commissioner for Operational Services, stated that approximately six to ten residency requirement waivers are granted each year. Mr. Maniago said that he did not recall a waiver application being denied. Mr. Bill Jackson, Director of the Indiana Department of Veterans Affairs, noted that over half of the veterans

homes in the United States have a residency requirement of one year.

Representative Atterholt questioned whether there were actually very many veterans with three or four years of residency who would benefit from the proposed change. Senator Craycraft commented that if waivers were allowed for veterans with at least one year of residency, the statutory admission requirement should be changed to one year. Mr. Maniago stated that it was possible that veterans who do not know of the current waiver process available for persons with at least one year of residency might become aware of a one-year residency requirement if it were put in statute, and that more veterans might apply for admission. Representative GiaQuinta asked Mr. Maniago if he favored the proposed change from a five-year residency requirement to a three-year residency, and Mr. Maniago answered that it was a step in the right direction. In response to a question from Senator Wyss, Mr. Maniago stated that he would let the Commission members draw their own conclusions about whether the residency requirement should be changed to one year.

Senator Wyss pointed out that the language in IC 10-6-1-7 specifies that veterans with at least five years of residency are "eligible for admission" to the Indiana Veterans' Home. He asked if this meant that some eligible veterans who applied might not be admitted. Mr. Jackson of the Indiana Department of Veterans Affairs noted as an example that the Alzheimers unit of the Indiana Veterans Home currently has a waiting list. Mr. Maniago explained that admissions are based on whether, for various care levels in the Home, there is staff available to help veterans who are seeking admission. Mr. Maniago stated that he would provide the Commission with additional information on the waiver process at the Commission's next meeting.

V. POW \ MIA Flags

Commission member John Dahman commented that in a number of other states, the POW \ MIA flag is flown at state rest-stops on highways. He asked Mr. Jackson if the Indiana Department of Veterans Affairs would consider flying the flag at Indiana's rest-stops. Mr. Jackson explained that September 15 is POW \ MIA day, and that beginning on that day the POW \ MIA flag is flown at the Statehouse for 61 days to commemorate Hoosiers who are still missing in action.

Senator Wyss said that by flying the POW \ MIA flag for only 61 days, rather than flying it at all times, the flag has a highly symbolic connection to those Indiana citizens who are missing in action. Mr. Dahman suggested that perhaps the flag could be flown on other holidays, such as Veterans' Day or Memorial Day.

Representative GiaQuinta thanked the members and the witnesses for their participation. He then adjourned the meeting shortly after 11:30 a.m.